

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 SAJ-01 CIAE-00 DODE-00 PM-03

H-01 INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01

SP-02 SS-15 USIA-06 AID-05 CEA-01 COME-00 EB-07 EA-06

FRB-01 IO-10 NEA-06 OPIC-03 TRSE-00 CIEP-01 LAB-04

SIL-01 SWF-01 OMB-01 STR-01 XMB-02 /112 W

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R 181742Z DEC 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6892

INFO AMEMBASSY SANTIAGO

USMISSION OECD PARIS

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 19436

E.O. 11652: GDS

TAGS: PFOR, EAID, CI, GW

SUBJECT: FRG VIEWS ON AID TO CHILE AND DEBT

RESCHEDULING

REF: BONN 18907

1. SUMMARY. IN COURSE OF A TWO-WEEK "UNOFFICIAL" VISIT TO FRG, CHILEAN MINISTER OF COORDINATION RAUL SAEZ HAS TRIED HARD BUT WITHOUT SUCCESS TO OBTAIN FRG RELEASE OF DM 21 MILLION CREDIT PROMISED TO ALLENDE GOVERNMENT AND TO INTEREST FRG IN NEGOTIATING A 4-5 YEAR DEBT RESCHEDULING AGREEMENT WITH LEVEL OF CHILEAN PAYMENTS LINKED TO COPPER PRICES. END SUMMARY.

2. WHILE FORNOFF AND ECONOMICS MINISTRY OFFICIALS WOULD LIKE TO SEE DM21 MILLION CREDIT UNBLOCKED, FRG DECISION IS STILL BEING HELD UP DUE TO OPPOSITION OF SPD STEERING GROUP IN BUNDESTAG. CHILEAN DETENTION
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OF POLITICAL PRISONERS REMAINS THE HEART OF THE SPD'S

OPPOSITION. THE PARTIAL SUCCESS OF WISCHNEWSKI'S VISIT (REFTEL) HAS APPARENTLY EASED THIS PROBLEM, BUT FRG OFFICIALS AS WELL AS PRESS CITE THE RELEASE OF FORMER FONMIN ALMEYDA AS NECESSARY PRECONDITION FOR RELEASE OF FUNDS. IN PARLIAMENTARY DEBATES ON CHILEAN POLICY, GOVERNMENT SPOKESMEN HAVE TAKEN CARE NOT TO DISAVOW FRG OBLIGATION TO EXTEND DM21 MILLION CREDIT. THEY AGREE THAT IN SIGNING CREDIT ACCORD WITH ALLENDE GOVERNMENT, FRG UNDERTOOK AN INTERNATIONAL OBLIGATION THAT MUST BE MET; HOWEVER THEY REMAIN VAGUE AS TO TIMING.

3. ACCORDING TO PRESS REPORTS, SAEZ HELD PRESS CONFERENCE ON DECEMBER 16 IN WHICH HE EXPLAINED THAT IN WASHINGTON AND BONN HE HAD RAISED PROPOSAL FOR A 4-5 YEAR DEBT RESCHEDULING AGREEMENT WITH PAYMENTS LINKED TO COPPER PRICES. ECONMIN DEPUTY ASSISTANT SECRETARY MUELLER-THUNS CONFIRMED TO US THAT SAEZ HAS BEEN DISCUSSING THESE PROPOSALS IN ECONMIN AND OUTLINED INITIAL FRG REACTIONS. FRG AGREES THAT RESCHEDULING OF DEBT FALLING DUE IN 1975 IS REQUIRED BUT WANTS TO LIMIT AGREEMENT TO ONE-YEAR. IN MULTILATERAL CONTEXT AND IF OTHER CREDITORS ARE AGREED, FRG WILLING ACCEPT TWO-YEAR RESCHEDULING BUT IS FIRMLY OPPOSED TO PROGRAM OF LONGER DURATION THAN TWO YEARS.

4. MUELLER-THUNS SAID THAT ECONMIN WAS OPPOSED TO PROPOSAL TO LINK RESCHEDULING PAYMENTS TO COPPER PRICES ON NUMBER OF GROUNDS: AUTOMATHICITY SCHEME WOULD REPLACE NORMAL CRITERIA FOR EVALUATING NEED FOR RESCHEDULING, SUCH AS B-0-P POSITION, INTERNAL FISCAL AND MONETARY POLICIES, CRITERIA WHICH ARE NEEDED TO PLACE PRESSURE ON DEBTOR COUNTRY ON CONTINUAL BASIS. IN VIEW HEAVY CHILEAN DEPENDENCE ON COPPER EXPORTS AND VOLATILITY OF COPPER PRICES,

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 19436

FRG WILLING PLACE GREATER WEIGHT ON OVERALL B-O-P POSITION IN EVALUATING EXTENT OF RESCHEDULING REQUIRED, BUT IS UNWILLING GO FURTHER THAN THAT. INDEXATION - MUELLER-THUNS ATTACKED SCHEME AS FORM OF INDEXATION NOT ONLY UNWELCOME IN ITSELF BUT A BAD PRECEDENT IN TERMS FRG OPPOSITION TO INDEXATION IN UNCTAD, ACP NEGOTIATIONS, ETC. UNCERTAINTY OF REPAYMENT SCHEDULE - MOST OF FRG CREDITS TO CHILE THAT ARE BEING ROLLED OVER ARE COMMERCIAL. UNDER SAEZ SCHEME INDIVIDUAL CREDITORS COULD BE OFFERED NO ASSURANCE WHATSOEVER OF WHEN THEY WOULD BE PAID. THIS WOULD BE COMPLETELY UNACCEPTABLE TO THEM. MUELLER-THUNS ALSO FEARED THAT NO MATTER WHAT PRICE WAS CHOSEN AT START OF SCHEME, OVER TIME THERE WOULD BE PRESSURE TO RAISE IT DUE TO INCREASE IN PRICE OF IMPORTS OF INDUSTRIAL GOODS, PRESSING CHILEAN DEVELOPMENT NEEDS OR OTHER REASONS. HE SAW NO CHANCE OF TRIGGER
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PRICE BEING REDUCED. MUELLER-THUNS CAUTIONED THAT THESE VIEWS WERE ONLY THOSE OF ECONMIN AND THAT FRG HAD NOT REACHED A DECISION. HOWEVER, HOY, WHO DIRECTS OFFICE HANDLING DEBT RESCHEDULING IN FINMIN, PARTICIPATED IN MEETING WITH EMBOFF AND SECONDED MUELLER-THUNS' COMMENTS. SINCE THESE ARE THE TWO MOST INTERESTED MINISTRIES, FRG POSITION SEEMS TO BE PRETTY WELL FIXED.

5. MUELLER-THUNS TOLD US HE UNDERSTOOD SAEZ DISCUSSED THESE PROPOSALS IN WASHINGTON AS WELL, AND REQUESTED

INFORMATION ON OUTCOME THESE TALKS. ACTION REQUESTED:
PLEASE FURNISH EMBASSY COMMENTS ON US VIEWS WHICH
COULD BE PASSED TO MUELLER-THUNS.
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